

**OVERVIEW
DEPT. OF
NATURAL
RESOURCES**

1/19/05

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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January 18, 2005

The Honorable Jay Ramras
Co-Chairman, House Resource Committee
Alaska State Legislature
State Capitol, Room 104
Juneau, AK 99801

Dear Representative Ramras:

Thank you all for the opportunity to talk with you and your committee today about the Department of Natural Resources. I am excited by the prospect of working with you this legislative session. We have many opportunities as well as challenges before us. There is much we can accomplish!

Our common goal of ensuring that the best interests of Alaskans are protected will serve us well when dealing with tough issues.

The information presented in this Overview will give you a better understanding of the breadth of resource issues and management responsibilities the department deals with on a day-to-day basis.

If at any time you have questions, please do not hesitate to call on my staff or me and we will do our best to respond.

I look forward to working together!

Sincerely,



Thomas E. Irwin
Commissioner

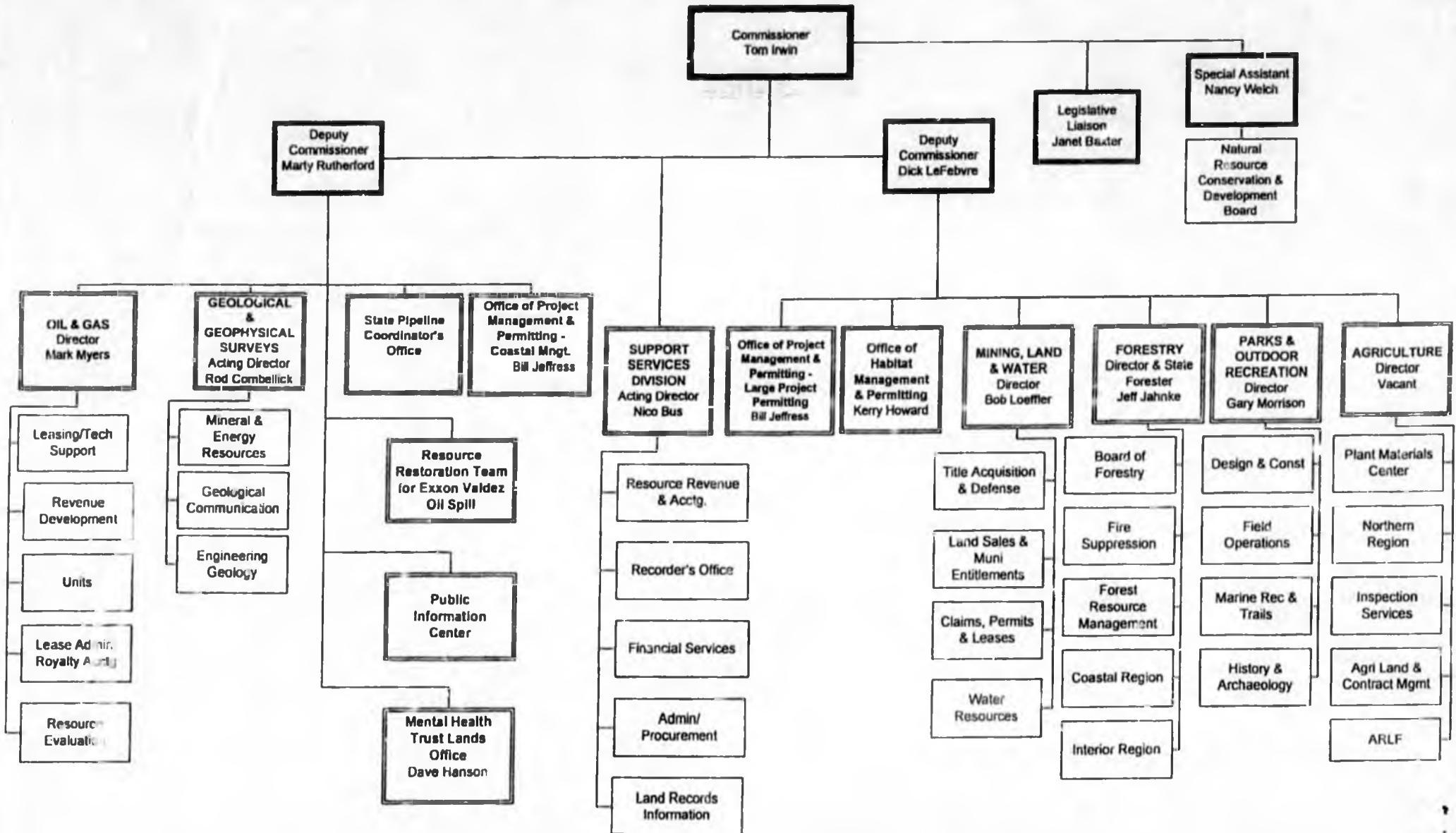
Enclosures

cc: House Resource Committee Members
Janet Burleson-Baxter, Legislative Liaison, DNR

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

Department of Natural Resources

As of January 2005



Mission

Develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest.

Organizational Chart

Seven divisions and various offices spread throughout the State (see organizational chart). The main offices are in Anchorage, Fairbanks, and Juneau - with Parks, Forestry, and the Recorder's Offices in many of the smaller communities. The Division of Agriculture is located in Palmer, and our Division of Geological & Geophysical Surveys is located in Fairbanks.

Core Services

- Oil & Gas Development
- Geological and Geophysical Development
- Petroleum Pipeline Right-of-Way Leases and Coordination
- Land Title Acquisition and Defense
- Land Sales and Municipal Entitlement
- Land Uses - Claims, Permits, and Leases (includes Mine Development)
- Water Development
- Large Project Management & Permitting
- Habitat Management & Permitting
- Alaska Coastal Management Program Coordination and Administration
- Forest Management and Development
- Wildland Fire Preparedness and Suppression
- Parks Management and Development
- State Historic Preservation Program Administration
- Agricultural Development
- Agricultural Revolving Loan Program Administration
- Recordation and UCC Indexing
- Information Resource Management & Access

End Results

A: Encourage resource development that creates Alaskan jobs and ensures economic growth in all regions of the State.

B: Ensure resource development planning, management, and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.

C: Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.

D: Streamline natural resource leasing, sales, and permitting processes.

FY2006 Resources Requested to Achieve Results									
FY2006 Department Budget: \$112,159,100	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Personnel:</td> </tr> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">740</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">264</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,004</td> </tr> </table>	Personnel:		Full time	740	Part time	264	Total	1,004
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Key Department Challenges

Oil & Gas *(will not be discussed today)*

- Developing an adequate commercial structure to accelerate the gasline.
- Promote oil & gas leasing on the Alaska Peninsula and the North Slope foothills by researching and obtaining geophysical and geological data, and improving access to information for companies looking at investing in Alaska.
- Continue to attract independents to Alaska.
 - Ongoing Royalty Settlement Reopeners and arbitration.
- Commercial analysis of oil and gas pipeline tariffs.
- Oversee the Trans-Alaska Pipeline System (TAPS) reconfiguration.
- Deliver Geo-Technical and land status information for existing North Slope Wells to promote new production.
- Deliver on Dept. of Energy federal grant in partnership with the Alaska Oil and Gas Conservation Commission (AOGCC).
- Provide geologic information to facilitate industry interest in Alaska.
- Geographic opening of the North Slope Tundra to winter travel.

Others

- Mining Projects. An important challenge for Alaska is completing the permitting to enable the development, or continued development, of Alaska's large mines:
 - **Pogo Project.** Construction in FY05.
 - **Red Dog.** Revise permits and re-establish reclamation bond in FY05.
 - **Kensington.** Finish EIS and permit evaluation in FY05.
 - **Green's Creek.** Finalize tailings expansion EIS and permit evaluation in FY05.
 - **Illinois Creek.** Finish reclamation in FY06.
 - **Usibelli Coal Mine.** Maintain requirements of federal primacy program in a manner consistent with Alaskan needs.
 - **Rock Creek.** Begin permitting in FY05.
 - **Donlin Creek.** Begin permitting in FY05
 - **Pebble Copper.** Provide appropriate support to permitting development plans
 - **Gil Project.** Provide appropriate support to permitting development plans
 - **Trans-boundary mines.** Provide technical review for Canadian mines potentially affecting Alaskan waters.
- Land Sales to Alaskans - Initiate a comprehensive review of how to revise current practices in order to better meet the public's demand for State Land. Land sales plans for FY06 are to identify and offer new areas for sale under the Subdivision and Remote Recreational Cabin

- programs, and to find methods to increase revenues from the already profitable program.
- Increase the rate of transferring state lands to municipalities under Municipal Entitlement Program and starting up new Land Use Plans.
 - University Land - Conveyance of 260,000 acres of State Land to the University of Alaska to supplement the University's federal land grant is expected to be proposed to the Alaska Legislature. If passed by the Legislature, implementing this grant will be an important challenge for the staff.
 - BLM Accelerated Land Conveyance Plan (BLM 2009). The U.S. Bureau of Land Management (BLM) began the process to increase the rate of land transfers to the state in 2004, with an ambitious goal of largely fulfilling land transfers to ANCSA Corporations, Native Allottees and the state by 2009.
 - Administration and recordation of RS2477 rights-of-way.
 - Settlement of the School Trust Lands valuation issue to determine the appropriate amount to be deposited into the School Trust Fund annually.
 - Management, review, and termination of Sec. 17(b) of ANCSA easements to Alaska Native corporations.
 - NOAA/OCRM approval of programmatic changes to ACMP (statutes, regulations, and coastal district plans).
 - Review and approval of 27 amended coastal district plans by deadline mandated under HB191.
 - Improve timeliness of Permit/Lease Processing. Methods to increase efficiency and improve the quality of the Department's land management include making better use of technology through such techniques as allowing on-line payment and applications, and through streamlining procedures and processes.
 - Managing fire suppression costs in spite of increased length of fire season, continued below normal precipitation in fire prone areas, increased wildland-urban interface fires, increased demand for all-risk response, and difficulty in hiring qualified, experienced personnel.
 - Stimulating interest in timber in interior Alaska in a period of poor global timber markets, especially in areas with trees damaged by fire or insects.
 - Providing sufficient timber to sustain southeast mills within the limits of the small state timber base.
 - Review of Region II (south-central Alaska) forest practices standards for riparian management.
 - Outsourcing of park units when we have a ~\$40 million in deferred maintenance backlog.
 - Park operations sufficient to provide safe, clean, and well-maintained facilities for ~4.0 million visits with declining budgets.
 - Develop and implement a long term business plan for the Division of Agriculture.
 - Mt. McKinley Meat and Sausage continued operations through a private contractor or a coop by 2006.
 - Long term solvency of the Agricultural Revolving Loan Fund.
 - Making workforce development a priority with declining budgets and increased cost is a significant challenge to retain and recruit quality staff.
 - Sharing of Federal, Borough, Municipal and Native Group data bases and Information.
 - Overseeing Alyeska's major reconfiguration of the Trans-Alaska Pipeline System to a highly automated pipeline system.
 - Improve timeliness and efficiencies of recorded document handling by use of technology.
 - Expediting of large development projects: NW-NPRA, Western North Slope, BLM's "Ring-of-Fire" regional plan.

- Upgrading of our legacy database systems such as the Royalty Accounting, Land Administration System, and the Land Status Geographic Information System.
- Build a multi-agency information portal for a wide collection of mineral, geologic, and mining property rights sources. Demonstrate Alaska opportunity for exploration and development investment.

Significant Changes in Results to be delivered in FY2006

- Professional and support staff will participate in more royalty and net profit share audits, evaluate Cook Inlet oil and North Slope gas royalty reduction requests and rulings, analyze Cook Inlet gas valuation proposals and options for storage of Cook Inlet gas, and work with lessees to commercialize oil on the North Slope.
- Assuming that a contract is approved under the Stranded Gas Development Act in FY05, considerable effort is still required to draft the detailed accounting and commercial structure agreements that will be annexes to the contract.
- Extending the North Slope winter oil exploration season. Over the last three decades, the winter oil exploration season on the North Slope has decreased by half. Extending the winter exploration season in an environmentally responsible manner is an important challenge for the Department, for the oil industry, and for Alaska. In FY05, the Division of Mining, Land and Water (DMLW) intends to implement new standards based on research conducted in FY04. (For more information, see description in the Claims, Permits, and Leases Component.)
- The Division of Geological & Geophysical Surveys will expand its energy-related geologic work to accelerate development of geologic reports and maps that will support exploration for commercial oil & gas as well as new energy sources for communities. Specifically, they will expand geologic studies in the Bristol Bay and Alaska Peninsula region in support of new oil & gas leasing and exploration efforts in those regions, while maintaining a strong energy program in the Brooks Range foothills region of the North Slope.
- Increased level of land sales: In FY05 we began a process of increasing the level of pre-surveyed lots offered to from 100 to 300. There is a two-year development process before pre-surveyed lots are offered. Therefore, FY05 funding will increase the offerings from 100 in FY05 to 200 lots in FY06 and 300 lots in FY07 and future years.
- The Division of Mining, Land & Water is implementing new policies and automation changes that it expects to provide much greater predictability in processing land use permits and possibly leases.
- Accelerated Land Conveyance from BLM (BLM 2009). As BLM receives funding to accelerate their conveyance process, the Department expects that 2 to 3 million acres of federal land could be conveyed to Alaska in FY05. This process will continue through FY2009.
- The Division of Mining Land & Water will focus its efforts on assertions of state ownership of navigable waters through use of the new Federal Recordable Disclaimer of Interest process.
- Executive Order 106 (eff. April 15, 2003), legislative changes contained in House Bills (HB) 69 (CH 45 SLA 2003, effective June 6, 2003), HB 86 (CH 81 SLA 2003, effective June 12, 2003), and HB 191 (CH 24 SLA 2003, effective May 21, 2003) have modified the goals, strategies, and required services to implement the ACMP. The revised ACMP regulations at 11 AAC 110, 112, and 114 and revised coastal district plans will provide resource developers, permit reviewers, and ACMP participants with more predictable consistency reviews and streamlined permitting processes.
- DNR has completed the design phase of the "Resource Authorization System" (RAS). This project is funded by the Office of Project Management and Permitting in partnership with the

Division of Mining Land and Water. RAS will streamline permit review and processing, and will achieve a high degree of integration with existing DNR systems. RAS is expected to provide the foundation for automation of other permitting processes within the department.

- The Office of Project Management and Permitting Large Projects Office (LPO) expects to receive applications and initiate permitting for the Gil and Pebble projects, and expects to complete permitting for the Rock Creek and Gil projects. The LPO will also provide permitting coordination for construction of the Pogo and Kensington mines, and permitting review for trans-boundary Canadian mines.
- Agricultural Development - Reviewing the options to transfer the Meat Plant operations from an in-house operation to a Cooperative.

Major Department Accomplishments in 2004

- Collected and accounted for \$1.42 billion in oil and gas royalty, settlement, rental, federal share and bonus revenues, and other DNR revenues.
- Provided commercial, technical and policy support to the Governor's gas pipeline team and the Legislature's gas pipeline committee.
- Negotiated a long term ANS royalty oil sales contract. The contract was approved by the Alaska Royalty Oil and Gas Development Board and the Legislature. This has resulted in the State receiving an additional \$17.4 million.
- Geographic opening of the North Slope Tundra to Winter Travel.
- Commenced a multi-million dollar royalty settlement agreement reopener arbitration with ExxonMobil.
- Land Sales - sold 576 parcels or 4,324 acres for a total value of \$6.3 million in over-the-counter and auction sales. DNR offered over 100 entirely new parcels, including two subdivisions where DNR constructed internal subdivision roads to increase the value of the land and to meet borough platting requirements. Additionally, we initiated 44 new leases on remote recreational cabin sites in FY04 and prepared an additional 45 surveyed remote parcels.
- The Office of Project Management and Permitting Large Projects Office coordinated the issuance of state permits for the Pogo Gold Mine and initiated permitting activities for the DEC Waste Management Permit and Reclamation Plan for the Red Dog Mine.
- Completed the state review and approval of the ACMP regulations in compliance with HB 191.
- Achieved federal approval of six of the remaining eleven coastal nonpoint source pollution control program management measures.
- Participated in the Alaska Clean Water Actions (ACWA) joint grant program with the Department of Fish and Game and the Department of Environmental Conservation to award grants to several communities, state agencies, industry, and nongovernmental organizations.
- Completed a long sought after cooperative agreement with BLM that allows miners on BLM administered land to use the Alaska statewide bonding pool.
- Filed application with US BLM for a Recordable Disclaimer of Interest (RDI) for 16 rivers and 10 lakes in FY04. As of November 2004, the BLM had issued disclaimers for six rivers and two lakes, including Lake Iliamna, the largest lake in Alaska.